

TCFD REPORT 2022



ABOUT THIS REPORT



Welcome to Kontoor Brands' first Task Force on Climate-related Financial Disclosures (TCFD) Report.

The TCFD framework focuses on transparent disclosures around climate-related risks and opportunities, to help create comparability across companies for investors and other key stakeholders.

We have designed our report around the 11 disclosures recommended by TCFD in the following four areas:

03 Governance >

05 Strategy >

09 Risk Management >

11 Metrics and Targets >

OTHER KONTOOR BRANDS PUBLICATIONS:

This report supplements the contents of the Kontoor Brands Sustainability Report 2021–2022, which sets out our commitments and progress towards the continuous improvement of our sustainability practices.

READ OUR SUSTAINABILITY REPORT 2021–2022 →

READ OUR ANNUAL REPORT 2022 →

ACCESS OUR GRI AND SASB INDEX →

ACCESS OUR CONSOLIDATED PERFORMANCE DATABOOK 2021–2022 →

For more information, please contact sustainability@kontoorbrands.com or visit our website kontoorbrands.com/sustainability.



OUR TCFD DISCLOSURES

The table below specifies where you can find relevant discussion and information for each of the TCFD recommended disclosures across our reporting ecosystem.

TOPIC	DISCLOSURE FOCUS AREA	REFERENCE
Governance	a) Describe the board's oversight of climate-related risks and opportunities.	03
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	04
Strategy	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term.	06
	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.	07
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	08
Risk management	a) Describe the organization's processes for identifying and assessing climate-related risks.	09
	b) Describe the organization's processes for managing climate-related risks.	10
	c) Describe the processes for identifying, assessing and managing climate-related risks are integrated into the organization's overall risk management.	09
Metrics and targets	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	11
	b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	12
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	11



GOVERNANCE

Good governance is integral to managing our climate-related risks and opportunities. Our governance approach is grounded in our commitment to our employees, customers and investors, with the ultimate goal of creating a more resilient future.

OUR GOVERNANCE STRUCTURE

Kontoor's Board of Directors, which represents the interests of our shareholders, has the responsibility to oversee and monitor the effectiveness of the management of the business and affairs of the Corporation, except with respect to those matters reserved to the shareholders. It has ultimate oversight over all sustainability initiatives, approves long-term strategy and receives updates on climate-related issues at least annually. It is tasked with promoting responsible corporate citizenship and monitoring adherence to Kontoor's standards.

The Board acts as an advisor and counselor to senior management and ultimately oversees and monitors its performance and ensures that management is capably executing its responsibilities. The function of the Board in monitoring the performance of senior management of the Corporation is supported by the presence of non-management Directors who have business knowledge. These responsibilities intersect with Kontoor's sustainability activities and may involve the board addressing the concerns of stakeholders, including those related to climate change. Reports on relevant progress against our goals are presented at Board meetings, which take place quarterly.

The Nominating and Governance Committee of the Board

oversees the Corporation's significant strategies and programs, policies and practices relating to environmental, social and governance (ESG) issues and impacts. The Committee reviews and evaluates significant Corporation strategies and programs, policies and practices relating to ESG issues and impacts to support the sustainable and responsible growth of the Corporation's business. The Committee monitors Kontoor's progress toward objectives and receives updates quarterly.

Communication to the Committee on climate-related issues is carried out by senior leadership, including our Vice President, Sustainability, Innovation, Product Development and Procurement and our Executive Vice President, Global Communications and Public Affairs. Updates about climate-related issues are also communicated through written communiques as part of the Board's briefing materials.

The Enterprise Risk Management (ERM) Council

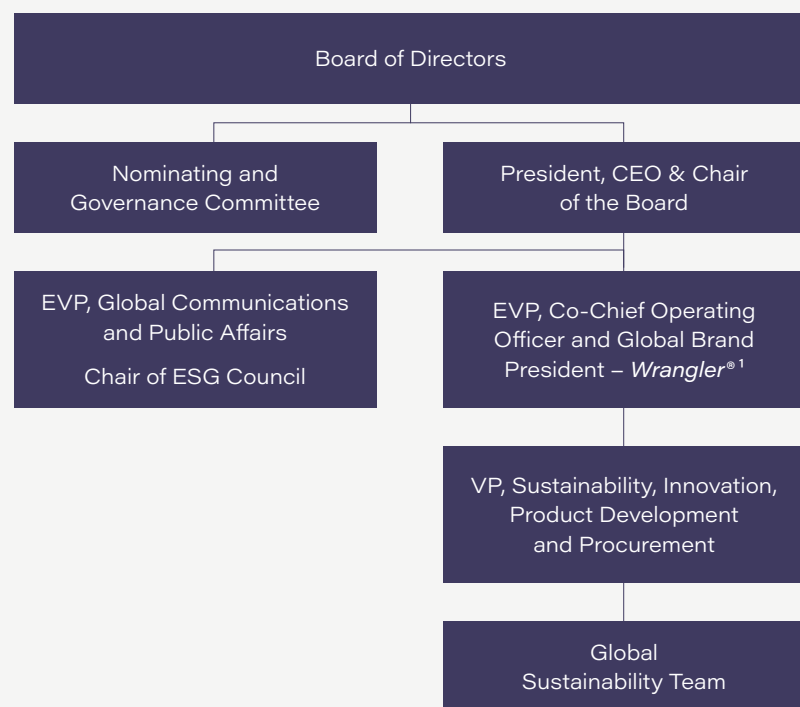
identifies, evaluates and manages risk topics, including sustainability and climate risk, in alignment with Kontoor's business priorities.

The ESG Council is a cross-functional council with a mandate to support and champion the Company's commitment to all Environmental, Social and Governance (ESG) matters, including environmental and climate-related matters. The ESG Council approves all materials recommended to the Executive Leadership team and the Board of Directors. The ESG Council assists the ERM Council in its oversight of significant ESG risks, strategies, policies, programs and practices to further our business purpose and strategy, culture, values and reputation in the best interests of our stakeholders.



GOVERNANCE CONTINUED

RESPONSIBILITY FOR MANAGEMENT OF CLIMATE-RELATED ISSUES



HOW WE MANAGE CLIMATE-RELATED RISKS AND OPPORTUNITIES

The Vice President, Sustainability, Innovation, Product Development and Procurement has direct day-to-day responsibility for managing sustainability programs, establishing comprehensive strategies and policies, and assessing risks to report to Kontoor Executive Leadership and Board of Directors.

At the operational level, sustainability strategy implementation is led by the Global Sustainability team, which is part of the Sustainability, Innovation, Global Product Development and Global Procurement team. By reporting into the Product function, the Global Sustainability team is a part of the development of Kontoor products, which facilitates the integration of sustainability objectives into the design and development process.

Additionally, the Global Sustainability team members work closely with Executive Leadership

team members and cross-functional teams including Corporate Communications, Facilities, Finance, Human Resources, Information Technology, Legal, Logistics, Marketing, Responsible Sourcing and Supply Chain. The Global Sustainability team also engages with external experts and partners to examine global and regional development of climate-related issues and discuss approaches and progress toward Kontoor's science-based target and other global goals.

Climate-related issues are monitored through many corporate initiatives managed by our Global Sustainability team, including our Global Design Standards, our Indigood® Program and our reporting and disclosure processes. The Global Design Standards focus on materials procurement, saving water in fabric development, and assessing the environmental and social impacts of the finishing process. Through the Standards, Kontoor aims to tackle the largest value chain factors to reduce GHG emissions, as well as water and chemical use, and worker well-being.

¹ This role oversees sustainability throughout the Kontoor enterprise which includes both the Wrangler® and Lee® brands.



STRATEGY

Our sustainability strategy ensures that we respond effectively to the risks and opportunities associated with our operations, including climate risks such as extreme weather, supply chain disruptions, materials scarcity, fluctuating consumer demand and regulatory developments.

Launched in 2019 and further defined in 2021, Kontoor's sustainability strategy ensures that we identify and manage climate risks. It is driven by the Vice President, Sustainability, Innovation, Global Product Development and Global Procurement, the Vice President, Sustainability, Innovation and Development and the ESG Council.

Kontoor's climate risks and mitigation actions span management of:

- GHG emissions,
- reduction of water, especially freshwater usage,
- wastewater management and effluent treatment,
- waste reduction and circularity,
- land usage,
- chemical and compliant chemical usage, and more.

These risks are addressed by our sustainability goals including for materials, water, climate, energy, chemicals and worker well-being.

[+ See our Sustainability Report 2021–2022, page 12.](#)

CLIMATE-RELATED RISKS AND OPPORTUNITIES

In 2023, we worked with a third-party consulting firm to conduct our first qualitative physical and transition climate risk assessment for key geographic regions and locations, representing all of Kontoor's internal operations (Manufacturing, Distribution, Corporate, Retail, etc.) and global sourcing partners.

A total of 310 locations from our supply chain were in scope for this analysis including our manufacturing facilities, distribution centers (owned and leased), corporate offices (owned and leased) and sourcing partners, including Tier 1 manufacturing and Tier 2 fabric mills, which may have multiple facilities.

We examined the potential impact of flooding from precipitation events, cyclonic events, heat waves, extreme temperatures, extended drought and water stress in each location. Climate scenarios, climate narratives and time horizons were defined, and a current state qualitative directional financial impact analysis was performed. The process also involved internal stakeholder interviews, a peer review and review of industry benchmarking to select potential risks and opportunities for review.

[+ See page 6.](#)

We evaluate climate-related risks as short-term (one to three years up to 2025), medium term (three to 15 years up to 2035) and long-term (15 to 30 years up to 2050).

We will select climate scenarios, using internal data and data from public sources, to develop future projections of variables relevant to priority physical and transition risks, and assess our strategy resilience. This may form part of our future disclosures.



STRATEGY CONTINUED

	SHORT TERM UP TO 2025	MEDIUM TERM UP TO 2035	LONG TERM UP TO 2050
Physical risks	Acute physical risks such as flood and tornadoes and their impact on raw materials, facilities and employees	Chronic physical risks including temperature and precipitation changes, water stress and their impact on raw materials, equipment and infrastructure	
Transition risks	Policy and legal: emerging regulations; reporting requirements	Policy and legal: possible regulatory and reporting obligations; exposure to litigation; GHG pricing; regulation of products and services	
		Reputation: shifts in consumer preferences; increased stakeholder concern; impact on consumer trust	
	Market: increased costs of materials	Market: consumer behavior change; market uncertainties; increased costs and/or scarcity of raw materials	
	Technology: costs to transition to technologies with lower impacts on energy and carbon	Technology: costs to transition to technologies with lower impacts on energy and carbon	
Opportunities	Resource efficiency: improved water stewardship in production, manufacturing, and distribution processes Products and services: expansion of lower-emission materials and development of circular products Energy source: expanded use of lower-emission sources of energy to help achieve energy and carbon reduction goals		



STRATEGY CONTINUED

PRIORITY CLIMATE RISKS

Acute physical risks: Kontoor operations and supply chain are exposed to acute physical hazards including droughts, floods, extreme heat, tropical cyclones and tornadoes, which may result in the direct damage, loss or degradation of Kontoor facilities, including retail locations, distribution centers and manufacturing facilities. Acute physical risks may impact denim production and affect the continuity or accessibility of shipping routes. Floods and drought conditions may indirectly impact the supply of cotton and lead to price volatility.

Chronic physical risks: Chronic temperature, precipitation and water stress could impact Kontoor's business operations and supply chain. Changes in chronic temperature may require additional ventilation, insulation and equipment maintenance while changes in chronic precipitation could damage transportation infrastructure (roads) and disrupt supply chains.

Water stress may affect cotton availability and quality, result in decreased water allowances in manufacturing locations (such as Mexico), and drive competition or community opposition from users that share water resources with Kontoor.

Raw material cost and availability: Denim production depends heavily on cotton and water availability (e.g., in laundries, mills, farms), and manufacturing is energy-intensive. Changes to the cost and availability of raw materials (cotton) and other primary inputs to production (e.g., water and energy) are relevant market-related transition risks driven largely by changes in physical climate change.

Regulatory compliance: There are costs associated with compliance with laws, rules, regulations, and ordinances that directly or indirectly related to climate in jurisdictions where Kontoor and its value chain partners operate. Policy actions may be aimed at reducing Kontoor's emissions or promoting adaptation to climate change impacts.

PRIORITY CLIMATE OPPORTUNITIES

Water stewardship: There may be further opportunities to increase water efficiencies and reuse it in production, manufacturing and distribution processes beyond our publicly stated water stewardship ambitions. Technological advances in water efficiency and reuse may be doubly beneficial in the event of chronic or acute water stress or drought conditions, particularly at Kontoor's owned manufacturing facilities.

Lowering supply chain emissions: Developing lower-emission products may help decrease our overall carbon footprint, potentially resulting in reduced production costs and additional opportunities for new products. Improvements in product circularity and supply chain emissions reductions may help us meet our science-based emissions target, and innovations and scaling of materials, such as regenerative cotton, will lower our supply chain emissions.

Lower-emission energy: As the world transitions to a lower-carbon economy and the volatility of fossil fuel prices increases, incorporating renewables (such as solar and wind) for energy usage and lower-emission technologies for energy (e.g., LED lighting) in facilities and manufacturing and distribution processes may lower Kontoor's emissions and energy-related operational costs

OUR SCIENCE-BASED CARBON TARGET

Kontoor has established science-based targets for our emissions: a 46.2 percent reduction in absolute Scope 1, 2 and 3 emissions by 2030. Our Scope 3 target covers purchased goods and services, fuel and energy activities, and upstream transportation and distribution.

We have created a roadmap to guide us in achieving this goal. As part of this, we recognize the importance of supporting suppliers in their own reduction efforts, and we are developing guidance documents to engage them.



STRATEGY CONTINUED

We intend to reduce emissions through activities in the following categories: circularity, improved equipment, influencing suppliers, logistics, process improvements, sustainable materials and renewable energy.

Achieving our goal will be challenging as energy markets vary around the world. We must continually adapt to changing markets, regulations and the availability of green energy.

+ See our Sustainability Report 2021–2022, page 70.

EXECUTIVE REMUNERATION

In 2021, we incorporated ESG-related performance metrics into our Annual Incentive Plan (AIP), which determines eligible employees' bonuses, including members of the Executive Leadership team. For more information on the ESG-Modifier, please refer to our most recent Proxy Statement.

+ See our 2023 Proxy Statement, pages 43–44.





RISK MANAGEMENT

We identify, assess and determine climate-related risks through enterprise-wide risk assessments and periodic specific analysis in direct operations and across the supply chain. These include our materiality assessment, supply chain risk assessments and reviews of supplier data collected through the Sustainable Apparel Coalition's Higg Facility Environmental Module (FEM).

HOW WE IDENTIFY AND ASSESS CLIMATE-RELATED RISK

Kontoor's Enterprise Risk Management (ERM) Council assesses risk to the business. This incorporates sustainability risks, including climate-related risks. The ERM program is reviewed quarterly by management and the Audit Committee of the Board of Directors.

The ERM program helps to identify risks and exposures and assesses management's risk mitigation strategy. We consider all substantive and strategic impacts on the business according to the risk's expected impact and likelihood of occurrence.

The process used to determine which risks and opportunities could have a substantive financial or strategic impact on the organization is informed by our ERM Council. Every year, the ERM Council undergoes a process to identify and proactively address emerging risks to the company.

The ERM program surveys our top leaders annually to assess the potential impact, likelihood of occurrence and mitigation effectiveness of each risk and assign a score accordingly. These risk scores allow Kontoor to determine the relative significance of each risk in relation to the other risks. The top identified risks are reported to the Board of Directors' Audit Committee on a quarterly basis.

Climate-related matters are reviewed on a case-by-case basis by our Sustainability and Supply Chain teams, along with other internal and external stakeholders, to understand the level of importance and potential direct, upstream and downstream impacts.

This review enables us to understand potential climate-related impacts related to brand reputation, operational disruption, supply availability and cost, consumer awareness and regulatory activity. The findings are reviewed by the Executive Leadership team and the Board of Directors' Nominating and Governance Committee at least annually.



RISK MANAGEMENT CONTINUED

HOW WE MANAGE CLIMATE-RELATED RISKS

Climate risk assessment and management is a continuous process; we are constantly learning, and the context is continually evolving as opportunities in the form of new technologies, innovations and knowledge arise to help inform and manage these risks. As a result, Kontoor's management of climate risks is a dynamic process of continual improvement.

Risk mitigation strategies are developed, incorporating both physical and transition risks:

- For physical risks, we implement business continuity and disaster preparedness plans, fortifying critical infrastructure, and diversifying supply chains.
- For transition risks, we focus on diversifying the product portfolio, embracing sustainable practices, and investing in low-carbon technologies.

Climate-related matters are evaluated on a case-by-case basis to determine whether they have a substantive financial or strategic impact on our business over the short-, medium- and long-term.

[+ See page 6.](#)

Materiality determinations are made via a double materiality assessment process, which we carried out for the first time in 2022. This assessment aimed to identify areas specified by our stakeholders as critical from both an inward and outward impact standpoint. The most critical impacts identified through these assessments influence our sustainability goals and strategy.

We use third-party, science-based life cycle assessment (LCA) data to understand the potential environmental impacts of certain materials, including climate-related impacts. The outcomes of these assessments guide our selection of the materials used in Kontoor products to increase the use of preferred materials across our portfolio.

In many countries, governmental bodies are enacting new legislation and regulations to reduce or mitigate the potential impacts of climate change. We monitor developments in climate-related regulatory requirements, led by the Sustainability and Legal teams with support from external experts. For example, in 2023, we engaged an external expert to conduct a workshop on the new EU Corporate Sustainability Reporting Directive for key internal stakeholders. The group also provides us with quarterly reports on the European sustainability regulation landscape tailored to Kontoor's interest and needs.

By aligning climate-related goals with broader business objectives, we ensure that climate risks are embedded into the strategic planning process. Performance against climate goals is aligned with executive compensation and incentive structures to encourage desired leadership behaviors and demonstrate commitment to long-term sustainability and climate mitigation.

[+ See page 8.](#)



METRICS AND TARGETS

We have set sustainability goals across worker well-being, renewable energy, reducing emissions and water use, and are making progress toward those goals. We track climate-related metrics including, but not limited to, direct and indirect GHG emissions, energy consumption, water usage, waste diversion, waste generation and our progress toward preferred raw materials for our products.



PEOPLE

GOAL	2020 PERFORMANCE	2021 PERFORMANCE	2022 PERFORMANCE
Worker Well-being Work only with factories that support a worker well-being or community development program by 2025	Set our brands' first worker well-being related goal in September 2020. Launched several worker well-being programs during the year, however, COVID-19 impact delayed additional programs into 2021.	Began defining our worker well-being strategy and programs. Launched the BSR HERessentials program in three facilities in Bangladesh and one facility in Pakistan.	Finalized our multi-dimensional worker well-being approach. By December 2022, 43% of in-scope suppliers supported a worker well-being or community development program (see Sustainability Report 2021–2022 , page 27).



PRODUCT

GOAL	2020 PERFORMANCE	2021 PERFORMANCE	2022 PERFORMANCE
Materials Source 100% Preferred Cotton by 2025 ¹	50% of cotton sourced in 2020 complied with our Preferred Materials list (see Sustainability Report 2021–2022 , page 47), which includes materials selected based on environmental and/or social factors.	55.5%	57% of cotton sourced in 2022 complied with our Preferred Materials list. Began developing our Global Design Standards, to help designers and product developers select lower impact processes and materials (see Sustainability Report 2021–2022 , page 44).
Materials Source 100% Preferred Synthetics by 2030 ¹	Sourced at least 7 Metric Tonnes (MT) of synthetics that complied with our Preferred Materials list (see Sustainability Report 2021–2022 , page 44).	Continued to develop our Preferred Materials strategy and data systems.	0.5% of polyester sourced in 2022 was certified recycled polyester. Polyester accounts for 7.8% of total materials sourced.
Chemicals Use 100% preferred chemistry by 2023	97% of in-scope suppliers participated in the CHEM-IQ SM screening process. In 2020, Tier 2 fabric mills were in-scope.	CHEM-IQ SM program paused due to COVID-related disruption in 2021.	<p>By end of December 2022, 97% of in-scope suppliers participated in the CHEM-IQSM screening process. Achieved 76% overall chemical conformity. In 2022, Tier 1 manufacturers with wet processing (laundries, finishing) and Tier 2 fabric mills were in-scope.</p> <p>Due to the dynamic nature of our supply chain and the increased availability of digital chemical management tools, this goal was updated in 2023 (see Sustainability Report 2021–2022, page 59).</p>

¹ Please see page 53 of our Sustainability Report 2021–2022 for definition.



METRICS AND TARGETS CONTINUED

PLANET

GOAL	2020 PERFORMANCE	2021 PERFORMANCE	2022 PERFORMANCE
Climate Establish a science-based GHG emissions target by 2022	Committed to establishing a science-based target in September 2020. Published a limited GHG footprint for 2019, the year Kontoor became a company.	Submitted a commitment letter to SBTi and began building our first corporate GHG footprint selecting 2019 as a baseline year due to the volatility of the supply chain during the COVID-19 Pandemic.	Finalized our 2019 footprint and climate target. The GHG emissions target submitted to SBTi in December 2022 and approved in September 2023.
NEW Climate Reduce absolute Scope 1, 2 and 3 GHG emissions 46.2% by 2030 from 2019 base year	Published limited GHG footprint in our Sustainability Report 2020 (see Consolidated Performance Databook 2021–2022).	See the Consolidated Performance Databook 2021–2022 for our limited 2021 GHG footprint.	SBTi approved our climate goals in September 2023. See the Consolidated Performance Databook 2021–2022 for our 2022 GHG footprint.
Energy Power 100% of owned and operated facilities with renewable energy by 2025	Shift to renewables for key Mexico facilities impacted by changes in local regulations. Actively explored alternative renewable power options for global operations.	Continued to explore additional opportunities to shift our key operations to renewables.	Signed agreement to source renewable energy for 80% of total energy requirement for Mexico manufacturing. Worked to finalize projects for our Nicaragua operations.
Water Save 10 billion liters of water by 2025 since 2008	8+ billion liters of water saved since 2008.	8.9 billion liters saved since 2008.	9.3 billion liters saved since 2008 through recycling and efficiencies at our internal manufacturing facilities and an additional 725 million liters saved in 2022 through our Indigood® program means we reached our 2025 goal early.



METRICS AND TARGETS CONTINUED

HOW WE CALCULATE OUR COMPANY CARBON FOOTPRINT

Kontoor uses the Greenhouse Gas Protocol as a basis for our corporate footprint. The categories proposed by the GHG Protocol provide a wide scope to account for emissions along the value chain.

The scope is divided into three parts: Scope 1 (direct emissions); Scope 2 (indirect emissions); Scope 3 (indirect emissions). Our carbon footprint covers all Scope 3 categories pertinent to Kontoor Brands' Operations. Ecoinvent 3.8, DEFRA 2021, IEA 2021, Green-e 2021, USEPA e-grid, and WALDB 3.5 emission factors were used to determine emissions from data provided.

OUR CARBON FOOTPRINT

In 2019, our base year, Kontoor had 15,100 employees and produced 164 million apparel units, with a total carbon footprint of 1,348 ktCO₂e (excluding the use of sold products). This represents .089 ktCO₂e per employee and 8.2x10⁻⁶ ktCO₂eq per apparel unit.

KONTOOR'S SCIENCE- BASED CARBON TARGETS

We have set and received approval from the Science Based Targets initiative (SBTi) of our science-based climate targets which we aim to meet by 2030, from a 2019 baseline year:

Reduce absolute Scope 1, 2 and 3 GHG emissions by 46.2 percent by 2030 from the 2019 base year. Our Scope 3 target covers purchased goods and services, fuel and energy related activities, and upstream transportation and distribution.

In 2022, we defined an emissions reduction action list to drive GHG emissions to meet our 46.2 percent emissions reduction target by 2030. At this time, we do not have plans to announce interim targets, but will continue to evaluate our public goals and strategy.

ENERGY AND CLIMATE PERFORMANCE

For further information on our climate and energy-related metrics please see page 17 of our [Sustainability Report 2021–2022](#).

KONTOOR™

Wrangler | Lee

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